

Message Text

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ACTION ARA-17

INFO OCT-01 ADP-00 SS-15 NSC-10 SSO-00 CCO-00 FILE-01 EB-11

PRS-01 AID-20 SIL-01 COME-00 LAB-06 L-03 USIE-00 PA-03

NSCE-00 RSR-01 CIAE-00 INR-10 NSAE-00 RSC-01 (ADP) W
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R 161940 Z MAY 73

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 5517

INFO AMEMBASSY MEXICO CITY

C O N F I D E N T I A L SECTION 1 OF 2 LIMA 3194

E. O. 11652: GDS

TAGS: OVIP XM

SUBJECT: SECVISIT LA: CONVERSATION BETWEEN UNDER
SECRETARY CASEY AND MEXICAN UNDER SECRETARY OF FINANCE BETETA

SECTO 61

TIME AND PLACE: MAY 12, 1973, 5:30 PM, RESIDENCE OF
UNDER SECRETARY BETETA

PARTICIPANTS: UNITED STATES:
UNDER SECRETARY CASEY
DEPUTY ASSISTANT SECRETARY SZABO
EDELLEN FOGARTY, ECON. COUNSELOR, AMEMBASSY MEXICO
THOMAS C. DAWSON, STAFF ASSISTANT, E

MEXICAN:
UNDER SECRETARY, MINISTRY OF FINANCE, RAMON BETETA
UNDER SECRETARY, MINISTRY OF INDUSTRY AND COMMERCE, MENDOZA
BERRUETO
HECTOR HERNANDEZ, MINISTRY OF FINANCE
AMB. ESPINOSA DE LOS REYES, FOREIGN OFFICE

1. UNDER SECRETARY CASEY BEGAN BY EXPRESSING HIS FIEW THAT
MEXICAN PARTICIPATION IN MULTILATERAL TRADE NEGOTIATIONS WOULD
HELP BILATERAL ECONOMIC RELATIONS BECASUE OF THE AREAS, LIKE
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AGRICULTURE AND INDUSTRIAL PRODUCTS, WHERE LIBERALIZATION IS IN OUR MUTUAL INTERESTS.

2. UNDER SECRETARY BETETA REPLIED THAT MEXICO VIEWED BILATERAL RELATIONSHIPS AS MORE IMPORTANT. HE ADDED THAT MEXICO MIGHT PARTICIPATE IN AND BE IN A POSITION TO BE HELPFUL IN THE MULTILATERAL TALKS IF PROGRESS WERE MADE IN BILATERAL MATTERS, DUMPING OR COUNTERVAILING DUTIES FOR EXAMPLE.

3. UNDER SECRETARY CASEY REPLIED THAT LATIN AMERICAN COUNTRIES STAND TO GET GREAT BENEFITS FROM MULTILATERAL TALKS AND THAT MANPOWER IS RATHER SCARCE FOR EXTENSIVE BILATERAL NEGOTIATIONS. IN REFERENCE TO BORDER INDUSTRIES, HE NOTED CONTINUED AMERICAN LABOR OPPOSITION. LEGISLATION WHICH HAS BEEN SUBMITTED PARALLEL TO THE TRADE BILL PROPOSES CHANGES IN TAXATION OF BORDER INDUSTRIES BY ELIMINATING TAX DEFERRAL BUT THIS CHANGE WOULDN' T OFFSET GEOGRAPHICAL AND COST ADVANTAGES OF THE BORDER INDUSTRIES. HE SAID THAT DISCRETIONARY AUTHORITY FOR THE TEMPORARY SUSPENSION OF ITEMS 806 AND 807 OF USTS WORRIED FOREIGN MINISTER RABASA AND WOULD ONLY BE INVOKED AFTER TAKING INTO ACCOUNT MEXICAN INTERESTS. IT APPEARS THAT ITS EFFECT IF INVOKED WOULD BE MINOR FOR ELECTRONICS THOUGH MORE SERIOUS FOR TUHTILES. UNDER SECRETARY CASEY ADDED THAT CONCERN FOR AMERICAN WORKERS MADE IT NECESSARY TO HAVE SUCH A DISCRETIONARY TOOL ON HAND . HE ADDED THAT IT WOULD MAKE THINGS EASIER IF BORDER INDUSTRIES WERE ALLOWED TO SELL THEIR PRODUCTS IN MEXICO AND ELSEWHERE.

4. UNDER SECRETARY BETETA REPLIED THAT AGREEMENT IN PRINCIPLE FOR SUCH A MOVE HAD BEEN RECENTLY REACHED IN TALKS IN WASHINGTON BUT THAT MEXICAN BUSINESS INTERESTS NEEDED " SECURITY" IN THE US MARKET. HE ADDED THAT THE TRADE BILL CREATED " UNCERTAINTY" FOR THESE BUSINESSES.

5. UNDER SECRETARY CASEY SAID THE TRADE BILL WOULD ONLY PROVIDE THE PRESIDENT AUTHORITY THE MEXICAN PRESIDENT ALREADY HAD. THE PURPOSE AND INTENT OF THE BILL IS TO LIBERALIZE TRADE WITH " SAFEGUARD" PROVISIONS FOR SUDDEN SHIFTS IN TRADE PATTERNS. THE SAFEGUARDS ARE TO BE TEMPORARY
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AND WOULD BE PHASED OUT OVER A FIXED PERIOD OF TIME.

6. UNDER SECRETARY BETETA ACCEPTED THE POINT ABOUT EQUAL POWERS FOR THE TWO PRESIDENTS. HE ADDED, HOWEVER, THAT SERIOUS CONCERN EXISTS OVER HOW SUCH POWERS MIGHT BE USED IN CASES INVOLVING IMPORTANT MEXICAN INTERESTS. TODAY IT

MIGHT BE SHOES OR TEXTILES WHILE OTHER PRODUCTS COULD BE
AFFECTED IN THE FUTURE.

7. UNDER SECRETARY CASEY SAID THAT THE MEXICAN GOVERNMENT
SHOULD TRUST THE US TO ACT RESPONSIBLY WITH ITS FIFTH
LARGEST TRADING PARTNER. HE ADDED THAT THE US COULD NOT
ENTER INTO MULTILATERAL TALKS WITHOUT BROAD AND FLEXIBLE
AUTHORITY.

8. RAISING THE MATTER OF FOREIGN INVESTMENT, UNDER SECRETARY
CASEY SAID THAT THE GOM HAD EVERY RIGHT TO REGULATE FOREIGN
INVESTMENT AS IT PLEASED BUT THAT IT IS IMPORTANT TO
CLAIRY HOW THE NEW FORIENG INVESTMENT LAW WILL BE IMPLEMENTED.
CONFUSION AND UNCERTAINTY EXISTS AMONG US FIRMS OVER THE 51
PERCENT RULE AND THE DIFFERENTIATION BETWEEN LOAN AND SHARE
CAPITAL, FOR EXAMPLE. IT IS IN THE MEXICAN INTEREST TO
CLARIFY THE SITUATION.

9. UNDER SECRETARY BETETA REPLIED THAT MEXICAN POLICY HAS
BEEN CONSISTENT BUT THAT THE POLICY WAS NOT CODIFIED. NO
FUNDAMENTAL CHANGE FROM TRADITIONAL MEXICAN POLICY HAS
TAKEN PLACE AND FOREIGN INVESTMENT IS STILL SEEN AS
" IMPORTANT, USEFUL AND DESIRABLE" AS LONG AS IT
CONTRUBUTES TO ECONOMIC DEVELOPMENT. HE ADDED THAT THE
MEXICAN GOVERNMENT DOES NOT LIKE TAKEOVERS OF EXISTING
COMPANIES OR SITUATIONS IN WHICH " DECISION MAKING
CENTERS" ARE OUTSIDE MEXICO. FOREIGN INVESTORS SHOULD
NOT ONLY PROVIDE CAPITAL BUT ALSO TECHNOLOGY, TRAINING
AND OPPORTUNITIES FOR QUALIFIED MEXICAN ENGINEERS AND
MANAGEMENT PERSONNEL. HE PRAIDED JOINT VENTURES IN THIS

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ACTION ARA-17

INFO OCT-01 ADP-00 SS-15 NSC-10 SSO-00 CCO-00 FILE-01 EB-11

PRS-01 AID-20 SIL-01 COME-00 LAB-06 L-03 USIE-00 PA-03

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----- 083568

R 161940 Z MAY 73
FM AMEMBASSY LIMA
TO SECSTATE WASHDC 5518
INFO RUESN / WPEMBASSY MEXICO CITY 1754

C O N F I D E N T I A L SECTION 2 OF 2 LIMA 3194

REGARD. UNDER SECRETARY BETETA CONTINUED BY NOTING THAT A SPECIAL CABINET- LEVEL COMMITTEE WOULD OVERSEE THE APPLICATION OF THE LAW AND " FILL VACUUMS". IN RESPONSE TO QUESTIONS FROM UNDER SECRETARY CASEY MR. BETETA SAID THAT A DIFFERENT MODUS OPERANDI WOULD APPLY IN THE ADMINISTRATION OF THE NEW TECHNOLOGY LAW AND THAT LICENCES GRANTED UNDER THE LAW ILL BE RENEWABLE.

10. HERNANDEZ NOTED THAT THE GOM DOES NOT LOOK FAVORABLY ON LOW EQUITY LOAN RATIOS BECAUSE IT PUTS CONTROL IN THE HANDS OF THE CREDITORS.

11. UNDER SECRETARY BETETA ASKED UNDER SECRETARY CASEY WHY AMERICAN INVESTORS ARE CONCERNED ABOUT THE NEW ALW. UNDER SECRETARY CASEY REPLIED THAT BUSINESSMEN OFTEN FEAR CHANGE AND ASKED HOW THE USG MIGHT HELP IN EXPLAINING THE LAW. UNDER SECRETARY BETETA RESPONDED THAT IT IS IMPORTANT TO LET INVESTORS KNOW THERE HAS BEEN CHANGE. ONLY IN THE LEGAL HANDLING OF INVESTMENTS. HE ASKED WHETHER MISSIONS TOHRHE US TO EXPLAIN THE LAW MIGHT BE USEFUL. UNDER SECRETARY CASEY REPLIED THAT IF MEXICO WISHED TO ATTRACT MORE US INVESTMENT MISSIONS WOULD INDEED BE USEFUL.

12. TURNING TO THE SUBJECT OF GENERALIZED PREFERENCES,
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UNDER SECRETARY MENDOZA RAIDED THE PROBLEM OF AN APPARENT CONFLICT BETWEEN THE US TRADE BILL WHICH ALLOWS THE PRESIDENT, SUBJECT TO CERTAIN RULES, TO DETERMINE ELIGIBILITY OF COUNTRIES FOR US TRADE PREFERENCE AND THE UNCTAD CLASSIFICATION OF DEVELOPING COUNTRIES TO WHICH THE US AGREED. HE EXPRESSED THE FEAR THAT MEXICO COULD BE EXCLUDED FROM PREFERENCES.

13. UNDER SECRETARY CASEY REPLIED THAT NEITHER THE US CONGRESS, NOR THE PRESIDENT COULD PERMIT SOME OUTSIDE BODY TO DETERMINE WHO WOULD AND WOULD NOT OBTAIN PREFERENCES FROM THE US. THIS WOULD BE AN INFRINGEMENT ON OUR SOVEREIGNTY.

14. DEPUTY ASSISTANT SECRETARY SZABO NOTED THAT IT HAD ALWAYS BEEN CLEAR THAT THE US WOULD NOT GIVE PREFERENCES TO EVERY COUNTRY. AT THE SAME TIME, NOTHING IN THE FIVE CRITERIA FOR PREFERENCES IN THE TRADE BILL COULD BE SAID TO DISCRIMINATE AGAINST NATIN AMERICA. MENDOZA AGAIN STRESSED HIS CONCERN OVER THE CLASSIFICATION PROBLEM AND UNDER SECRETARY CASEY REPEATED THAT THE US CONGRESS WOULD NOT BE WILLING TO GIVE SUCH DISCRETIONARY AUTHORITY TO A NON - USG BODY.

15. HERNANDEZ CONCEDED THAT THE TRADE BILL IS " ONE STEP FORWARD" AND DEPUTY ASSISTANT SECRETARY SZABO SAID THE BILL IS MORE LIBERAL THAN THE APPROACHES CONTAINED IN THE PREFERENCES SCHEMES OF OTHER NATIONS. HERNANDEZ AGREED AND ADDED THAT THE GOM WAS SEEKING " CERTAINTY" AS TO THE USG' S COURSE OF ACTION. UNDER SECRETARY CASEY REPLIED THAT CERTAINTY IS A SCARCE COMMODITY AND STRESSED THAT (1) THE SAFEGUARDS WILL BE LIMITED IN TIME AND (2) WE ARE PREPARED TO ABIDE BY A MULTILATERAL SAFEGUARD SYSTEM AGREED UPON WITH OTHER NATIONS.

16. DEPUTY ASSISTANT SECRETARY SZABO NOTED THAT OTHER COUNTRIES' PREFERENCE SCHEMES WERE LIMITED BY STRICT QUOTAS WHICH MADE THEIR SCHEMES LESS LIBERAL THAN THAT THE US IS PROPOSING.

17. UNDER SECRETARY MENDOZA, NOTING THAT THE CONFLICT OF POSITIONS WAS CLEAR, ASKED WHETHER TALKS IN WASHINGTON
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ON THIS MIGHT BE FRUITFUL. UNDER SECRETARY CASEY REPLIED THAT, WHILE TALK IS ALWAYS USEFUL, THE TRADE BILL WOULD BE IN THE HANDS OF THE CONGRESS FOR 4 - 5 MONTHS .

18. (THE QUESTION OF DEPUTY SPECIAL TRADE REPRESENTATIVE HAROLD MALMGREN VISITING MEXICO THEN CAME UP. THIS HAS BEEN REPORTED ON IN A CABLE FROM AMEMBASSY MEXICO.)

19. UNDER SECRETARY BETETA ASKED UNDER SECRETARY CASEY FOR HIS VIEWS ON THE " SCHEVARRIA CHARTER". MR. CASEY REPLIED THAT THE USG HAS IT UNDER STUDY. HE NOTED THAT WORK WAS PROCEEDING ON FUNDAMENTAL TRADE AND MONETARY REFORM AND A QUESTION OF TIMING WAS INVOLVED. CONCLUDING THE SESSION, HE SAID WE CANNOT SAY WE WILL SUPPORT THE CHARTER BUT WE ARE RECEPTIVE AND OPEN MINDED.
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